

COPY

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FILED

JAN 13 1995

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GERALD ARMSTRONG and THE
6 GERALD ARMSTRONG CORPORATION

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 FOR THE COUNTY OF MARIN

10 CHURCH OF SCIENTOLOGY INTERNATIONAL,)
11 a California not-for-profit)
religious corporation,)

No. 157 680

12)
13 Plaintiff,)

**ARMSTRONG'S EVIDENCE IN
OPPOSITION TO MOTION FOR
SUMMARY ADJUDICATION OF
FOURTH, SIXTH AND ELEVENTH
CAUSES OF ACTION**

14 vs.)

15 GERALD ARMSTRONG; MICHAEL WALTON;)
16 THE GERALD ARMSTRONG CORPORATION)
a California for-profit)
17 corporation; DOES 1 through 100,)
inclusive,)

Date: 1/27/95
Time: 9:00 a.m.
Dept: One
Trial Date: May 18, 1995

18 Defendants.)

19 _____)

RECEIVED

VOLUME TWO

JAN 13 1995

HUB LAW OFFICES

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VOLUME TWO

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2 Exhibit 2 Declaration of Ford Greene

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4 Exhibit 2 (A) Excerpts from transcript of proceeding before
5 Honorable Ronald M. Sohigian, May 26, 1992.

6
7 Exhibit 2 (B) Excerpts from transcript of deposition of Lynn
8 Farny taken July 27, 1994.

9
10 Exhibit 2 (C) Release signed by Vicki Aznaran in favor of
11 Scientology providing for liquidated damages in the
12 amount of \$10,000.

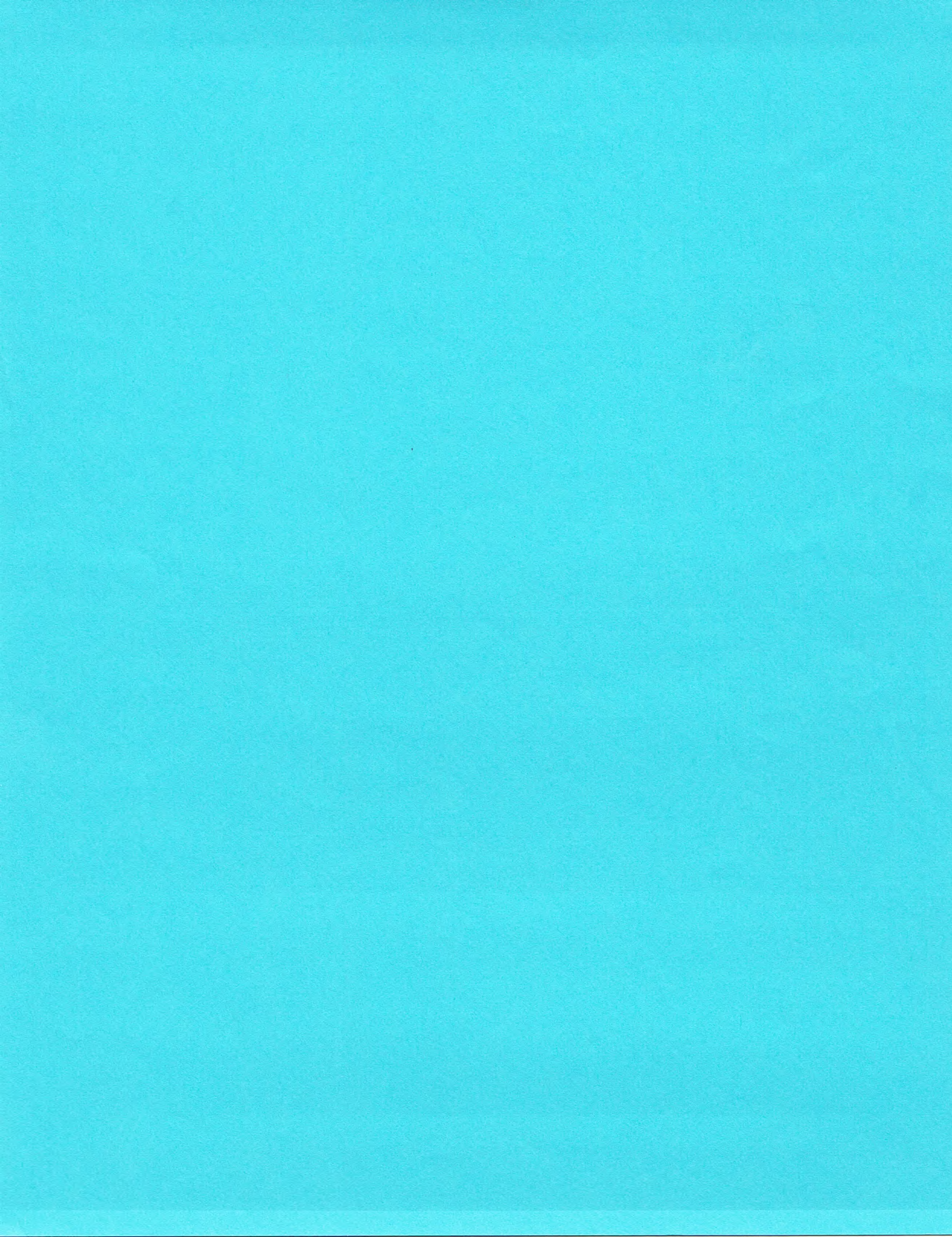
13
14 Exhibit 2 (D) Release signed by Richard Aznaran in favor of
15 Scientology providing for liquidated damages in the
16 amount of \$10,000.

17
18 DATED: January 13, 1995

HUB LAW OFFICES

19
20
21 By: 

FORD GREENE
Attorney for Defendants
GERALD ARMSTRONG and THE
GERALD ARMSTRONG CORP.



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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL,)	No. 157 680
a California not-for-profit)	
religious corporation,)	
Plaintiff,)	DECLARATION OF FORD GREENE
vs.)	IN OPPOSITION TO MOTION
GERALD ARMSTRONG; MICHAEL WALTON;)	FOR SUMMARY ADJUDICATION
THE GERALD ARMSTRONG CORPORATION)	OF FOURTH, SIXTH AND
a California for-profit)	ELEVENTH CAUSES OF ACTION
corporation; DOES 1 through 100,)	
inclusive,)	
Defendants.)	Date: 1/27/95
	Time: 9:00 a.m.
	Dept: One
	Trial Date: May 18, 1995

I, Ford Greene, declare:

1. I am the attorney for defendant Gerald Armstrong herein.
2. From February 1989 through approximately May 1991 and then from July 1991 through May 1994 I was plaintiffs counsel for Vicki and Richard Aznaran in litigation entitled Aznaran v. Church of Scientology of California, U.S. District Court, Central District of California, CV-881786 JMI(Ex). At no time did I ever suggest or in any way pressure either of the Aznarans, or both of them, to provide a monthly stipend or any other kind of payment to

1 Gerald Armstrong or to me for Mr. Armstrong's services.

2 3. On March 20, 1992, I appeared on Mr. Armstrong's behalf
3 before the Honorable Michael B. Dufficy of the Marin County
4 Superior Court. Also present at said hearing were Scientology
5 counsel Andrew Wilson, Michael Hertzberg and Laurie Bartilson. At
6 the hearing Judge Dufficy advised us in open court that Cable News
7 Network (CNN) had submitted a requested to tape and televise the
8 proceeding about to commence and asked all counsel whether there
9 was any objection thereto. No counsel for plaintiff or defendant
10 objected.

11 4. After the hearing concluded, I personally observed Don
12 Knapp, the reporter for CNN, conduct interviews of Scientology
13 counsel Wilson and Hertzberg. Thereafter, the reporter and his
14 support crew interviewed Mr. Armstrong and me at my office
15 regarding the instant litigation.

16 5. I was present during the proceeding that were held
17 before the Honorable Ronald M. Sohigian on May 26, 1992. Attached
18 hereto as Exhibit A are true and correct copies of excerpts of
19 said proceeding.

20 6. Attached hereto as Exhibit B is a true and correct copy
21 of excerpts of the deposition of Lynn Farny, secretary for
22 plaintiff, taken on July 27, 1994.

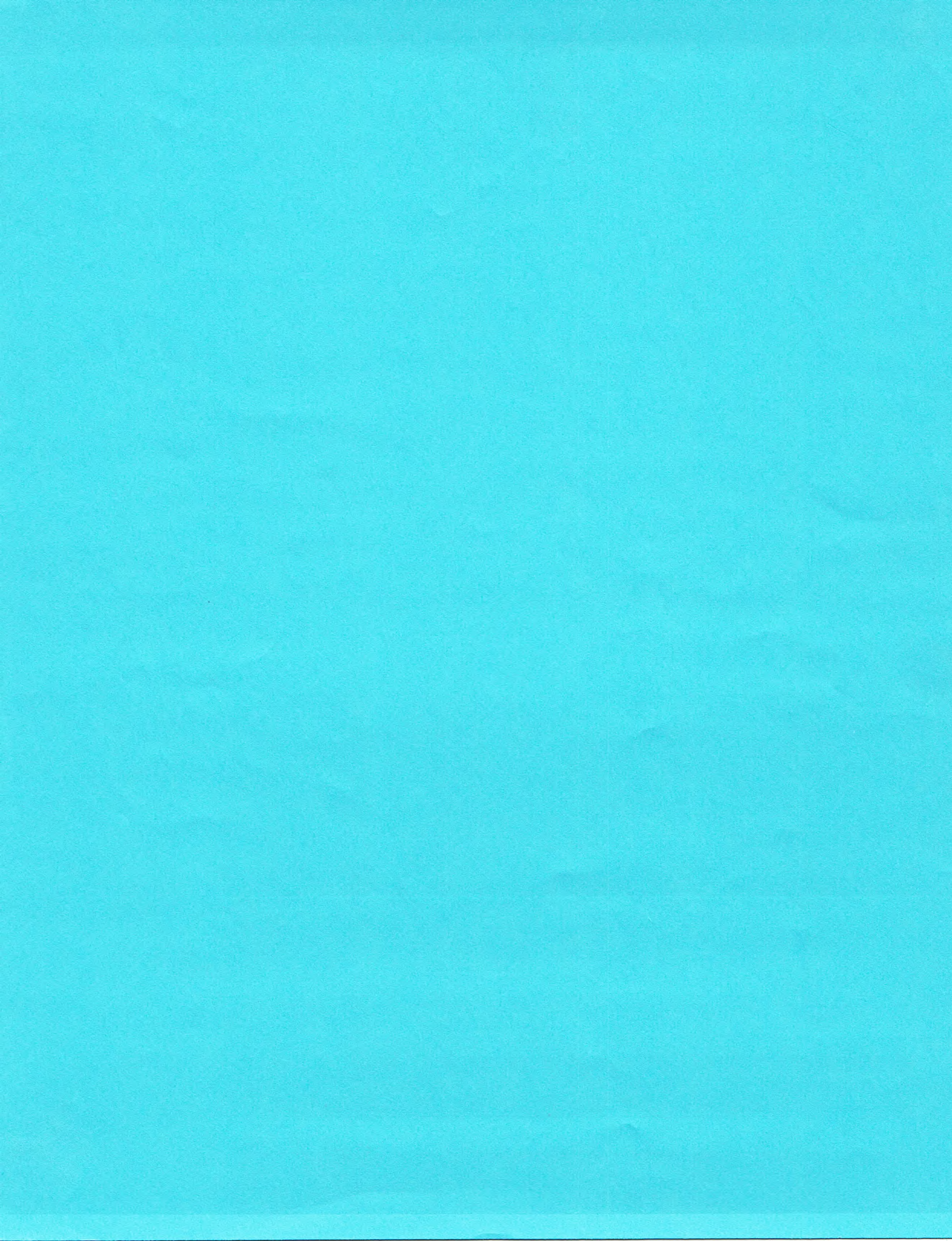
23 7. During the course of my representations of the Aznarans
24 in their litigation against Scientology, I became familiar with
25 release that each of them signed. A true and correct copy of the
26 release which Vicki Aznaran signed is attached hereto as Exhibit
27 C. A true and correct copy of the release which Richard Aznaran
28 signed is attached hereto as Exhibit D. Each release was

1 substantially similar to that at issue in the instant litigation.
2 Each said release provided for liquidated damages in the amount of
3 \$10,000 per violation.

4 Under penalty of perjury and pursuant to the laws of the
5 State of California, I hereby declare the foregoing to be true and
6 correct. Executed on January 13, 1995 at San Anselmo, California.

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10 FORD GREENE
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COURT OF APPEAL OF THE STATE OF CALIFORNIA
SECOND APPELLATE DISTRICT

COPY

CHURCH OF SCIENTOLOGY, INTERNATIONAL, etc.	.	Superior Court
	.	Case No. BC 052-395
	.	
Plaintiff,	.	
vs.	.	
	.	
GERALD ARMSTRONG, et al.,	.	
	.	
Defendant.	.	Los Angeles, California
	.	May 26, 1992
.....	.	10:05 a.m.

APPEAL FROM THE SUPERIOR COURT OF LOS ANGELES COUNTY

THE HONORABLE RONALD M. SOHIGIAN, PRESIDING
DEPARTMENT 88

TRANSCRIPT ON APPEAL

RECEIVED
OCT 16 1992
HUB LAW OFFICES

COURT RECORDER:
J. W. CRUSE

TRANSCRIPTION BY:
PARRIS TRANSCRIPTS
P.O. Box 41754
Los Angeles, Ca 90041-9998
(213) 254-4157

Proceedings recorded by electronic sound recording, transcript produced by transcription service.

1 engage in a so-called sting operation against Armstrong, which
2 Scientology claims was in fact sanctioned by the Los Angeles
3 County Police Department.

4 THE COURT: Does it -- does that declaration
5 precisely track the language contained in paragraph No. 9?

6 MR. GREENE: No. It doesn't. It -- it --

7 THE COURT: So you want me to go with the content of
8 the Farny declaration rather than with the content of the
9 Armstrong declaration, to the extent that the content of the
10 Armstrong declaration exceeds or is different from the content
11 of the Farny declaration?

12 MR. GREENE: If I understand you correctly, Judge, I
13 don't -- in my own words, I don't want you to rely only on the
14 Farny declaration and throw out what Armstrong says to
15 counter-balance it, but if you look at them both with respect
16 to -- as to one another, that's fine.

17 THE COURT: The objection is sustained for the
18 material in the Armstrong declaration that is objected to; it
19 is not premised on an adequate foundation. Go ahead.

20 MR. WILSON: The next objection is to -- it begins
21 on Page 8, Line 18. It is to Paragraphs 13, 14, 15 and 16, in
22 their entirety, on the grounds that they constitute hearsay
23 statements made by Mr. Armstrong's attorney, Mr. Flynn.

24 THE COURT: Counsel for defendant?

25 MR. GREENE: Goes to Armstrong's state of mind in
26 entering into the agreement which is at issue here.

27 THE COURT: All purported statements made by Flynn
28 to Armstrong and by Armstrong to Flynn contained in the

1 objected-to paragraphs are stricken; that is, the objections
2 to those materials are sustained. Go ahead.

3 MR. WILSON: Thank you, Your Honor. Paragraph -- on
4 Page 12, Paragraph 19 continues; as the first sentence, it
5 says: "The organization continued its fair-game campaign
6 against me," et cetera. Against the -- against me in
7 violation of the spirit and letter of the settlement
8 agreement. Lack of adequate personal knowledge, foundation,
9 and also it's a legal conclusion as to whether it's in
10 violation of the letter of the agreement.

11 MR. GREENE: Would you repeat your objections then,
12 please.

13 THE COURT: Page 12, Lines 5 through -- to 7,
14 beginning with the words, "Following the December 1986" and
15 ending with the words "Letter of this settlement agreement."

16 MR. GREENE: Okay.

17 MR. WILSON: And the objection is, no adequate
18 foundation of personal knowledge and it's a legal conclusion.

19 MR. GREENE: As to no foundation, I think the
20 foundation is set forth hereafter in Paragraph 20 --

21 THE COURT: In other words, nothing -- that sentence
22 does not refer to anything except what is in the remainder of
23 Paragraph 19 and Paragraph 20, correct?

24 MR. GREENE: Twenty -- in addition, Your Honor,
25 Paragraphs 21, 22, 23 --

26 THE COURT: So that sentence does not refer to
27 anything except what's contained in the remainder of
28 Paragraphs 19 and then Paragraphs 20 to 23, correct?

1 consequence of the agreement at issue here. For those
2 reasons, each one of those declarations are relevant.

3 THE COURT: What are you talking about, the public
4 record?

5 MR. GREENE: That those various declarations were
6 filed in litigation that Mr. Flynn, as attorney for people who
7 were suing Scientology in various different litigations. All
8 of those declarations discuss --

9 THE COURT: The objections are overruled.

10 MR. WILSON: Thank you, Your Honor. The next, the
11 declarations of Mr. Flynn -- 46, 47, 48 -- on the same basis.
12 And also on the basis, Your Honor, that -- and I did not
13 proffer this evidence; I will if necessary -- that we
14 attempted to take the declaration of -- the deposition of Mr.
15 Flynn twice by giving notice to defendants, tried to have them
16 stipulate to it; they refused.

17 That's all described in Ms. Bartilson's declaration,
18 and defendants successfully have prevented that by the filing
19 of a motion to quash. The grounds for that motion to quash is
20 that proper notice wasn't given in terms of the number of
21 days, and the date that notice was given was the day of the
22 riots, which is why personal service could not be made. And
23 on that basis as well, we believe that they should be estopped
24 from asserting those -- from offering those declarations.

25 THE COURT: Why? You want to take his deposition to
26 do what; contradict the material contained in the
27 declarations?

28 MR. WILSON: Those declarations, and also the

1 statements that Mr. Armstrong made in his declaration that was
2 submitted as to what Mr. Flynn told him and the fact that he--

3 THE COURT: But I've excluded that material. I
4 don't care what somebody says his lawyer told him.

5 MR. WILSON: Well, in that case --

6 THE COURT: You want to object to the Flynn
7 declarations, -or don't you?

8 MR. WILSON: Yes, on the basis of relevance.

9 MR. GREENE: The reason that they're relevant, Your
10 Honor, is because they -- the Flynn declarations --

11 THE COURT: You'd better get them for me, Ms.
12 Cervantes. Declarations of Michael J. Flynn, filed in support
13 of the amicus brief of Yanny in Marin County, September 21,
14 1983; is that right? Or 1988?

15 MR. GREENE: 1983 is the first declaration.

16 THE COURT: All right. Where would that be?

17 MR. GREENE: That would have been filed March 16,
18 '92 -- or 16, '92, in Marin County. And that's a separate
19 bundle.

20 THE COURT: Irrespective of how I rule -- while Ms.
21 Cervantes is getting this material -- irrespective of how I
22 rule, when would you be ready to try this case, assuming that
23 it survives all the attacks on it?

24 MR. WILSON: Probably six to nine months or for --

25 THE COURT: To whom is it assigned in the I.C.
26 system?

27 MR. WILSON: Judge Horowitz.

28 THE COURT: Who?

1 MS. BARTILSON: Judge Horowitz.

2 MR. WILSON: Perhaps sooner than that, Your Honor.
3 We haven't been successful in getting anybody's deposition
4 yet.

5 THE COURT: Whose deposition do you want to take
6 besides Armstrong?

7 MR. WILSON: Well, we've noticed Mr. Armstrong's
8 deposition three times.

9 THE COURT: And?

10 MR. WILSON: Hasn't shown up at all. And if you'd
11 like me to give you the letters --

12 THE COURT: Not interested at all. You just do
13 whatever you need to do to litigate your case.

14 (Pause)

15 THE COURT: Can you describe the thing that the
16 objection is being made to more fully, Counsel, so that --

17 MR. WILSON: Yes, Your Honor.

18 THE COURT: -- there's no doubt about exactly what
19 documents you're trying to attack?

20 MR. WILSON: It's -- I just had them in front of me
21 a minute ago, Your Honor, I'm sorry. Declarations of Michael
22 J. Flynn as filed in support of amicus curiae brief of Joseph
23 A. Yanny in opposition to plaintiff's order to show cause re
24 preliminary injunction, Marin County action. And there's
25 three of them. They're --

26 THE COURT: Are they all under the same cover sheet?

27 MR. WILSON: Yeah, I think they are. A, B, and C.

28 MR. GREENE: Yes, they are.

1 (Pause)

2 THE COURT: Thank you. Go ahead. Tell me what your
3 objections are.

4 MR. WILSON: Relevance. They're well before the
5 time period at issue here, and unlike arguing Mr. Armstrong's
6 declaration, they don't go to show what Mr. Armstrong knew
7 except through hearsay of Mr. Flynn or anything that I can
8 conceivably see is relevant to this action.

9 THE COURT: Counsel for defendant?

10 MR. GREENE: The reason -- first of all, the first
11 one is a declaration that was filed in Armstrong I; it was
12 part of the record there. Two --

13 THE COURT: So what? The question is whether it's
14 relevant in this case.

15 MR. GREENE: Okay. The reason so what is because
16 the declarations describe the extraordinary --

17 THE COURT: Where? Just tell me page and line
18 rather than characterizing them or putting your gloss on them.
19 Just say what language in it you think it pertinent to some
20 issue in this case that I'm going to have to adjudicate.

21 MR. GREENE: Yes, Your Honor. The entirety of the
22 affidavit in Armstrong I, describing what Flynn --

23 THE COURT: Where? What page and line? You mean
24 that he's a Massachusetts lawyer, and that he works in
25 Massachusetts and that he makes this affidavit to assist the
26 Court in understanding, quote, "the general and specific
27 contexts of Scientology's purpose and intent in bringing this
28 latest harassive legal proceeding against me and specifically

1 in support of my opposition to this latest contempt charge",
2 end quote? You mean that's going to be pertinent in the case,
3 and--

4 MR. GREENE: Yes.

5 THE COURT: Oh, really? How?

6 MR. GREENE: Because it goes to the issue of unclean
7 hands, and it goes to the issue of what the context -- factual
8 context of the settlement agreement is.

9 THE COURT: Do you mean the argumentative assertion
10 made by this declarant on the 21st of September, 1983,
11 pertains to the unclean hands of any party in this case,
12 pertinent to this motion?

13 MR. GREENE: The factual elucidation following that,
14 yes. If you were to look at that --

15 THE COURT: I'll strike all three declarations on
16 the grounds of relevancy and on the grounds of evidence code
17 352. The declarations are so prolix and so laced with
18 argumentative and conclusory material as to require -- and
19 material which very, very substantially predates the pertinent
20 details of the instant case as to require both the undue
21 consumption of time and the creation of substantial danger of
22 undue prejudice and confusion of the issues, and misleading
23 the fact-finder. Go right ahead, Counsel for plaintiff.

24 MR. WILSON: Thank you, Your Honor. Next is 49,
25 which is Declaration of Vickie Aznaran of 9 August of '88.
26 That's Exhibit I-A. On the basis of relevance. It's a
27 declaration of Vickie Aznaran; it doesn't mention Gerald
28 Armstrong and has nothing to do with him.

CERTIFICATION

I (WE) CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE ELECTRONIC SOUND RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

PARRIS TRANSCRIPTS
P.O. BOX 41754
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(213) 254-4157

GAIL I. PARRIS
OWNER

Gail I. Parris

Sharon DeBora
SIGNATURE OF TRANSCRIBER

9-30-92
DATE

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF MARIN

---oOo---

COPY

CHURCH OF SCIENTOLOGY)
INTERNATIONAL, a California)
not-for-profit religious)
corporation,)

Plaintiff,)

vs.)

GERALD ARMSTRONG; MICHAEL)
WALTON; THE GERALD ARMSTRONG)
CORPORATION, a California for)
profit corporation; DOES 1)
through 100, inclusive,)

Defendants.)

AND RELATED CROSS-ACTION.)

NO. 157-680

DEPOSITION OF:

LYNN R. FARNY

Wednesday, July 27, 1994

VOLUME IV

Reported by:
SUSAN M. LYON
CSR NO. 5829

PENNY L. GILMORE & ASSOCIATES
DEPOSITION REPORTERS
P.O. BOX 862
ROSS, CALIFORNIA 94957
(415) 457-7899

1 A. Insofar as a corporation can have an opinion of how
2 it feels about Mr. Armstrong's conduct insofar as the
3 settlement, I think it's expressed in our causes of action
4 that we've alleged seeking relief from his tortious
5 action, well, actually, not tortious action, but his
6 breach.

7 Q. Now, so according to the definition of fair game as
8 it's given in Exhibit 16, it's really Armstrong that's
9 engaged in fair game because you feel that he's lied to
10 you?

11 A. That question makes no sense to me.

12 Yes, I feel he has lied to us.

13 Q. And you feel that he's used you; right?

14 MR. BOWLES: Objection, vague.

15 THE WITNESS: In what manner?

16 MR. GREENE: Q. By taking your money and telling
17 you to go jump.

18 A. He's done that, certainly.

19 Q. And wouldn't you say that that is being abusive?

20 A. Yes, certainly it's abusive. Yeah.

21 Q. Now, before the settlement agreement you considered
22 that such a possibility could occur, didn't you?

23 A. What?

24 Q. Prior to the settlement you considered that in the
25 realm of possibility was the scenario that Armstrong could

1 take the money and spend it and then not keep the terms of
2 the agreement, that was within the spectrum of your
3 thought, wasn't it?

4 A. I don't know how realistic a possibility I
5 considered it. I attempted, and other people I was
6 working with attempted, to guard against that possibility
7 by making the settlement document as complete as we could.

8 Our anticipation was that if we arrived at an
9 agreement, that agreement would remain in place because we
10 had no doubts that both sides were entering into it with
11 an honest desire to work out an agreement. But that
12 doesn't mean that in the agreement that's worked out, you
13 don't guard against all possibilities, even if you don't
14 consider them necessarily realistic.

15 Q. Right. And even though you didn't necessarily
16 consider the scenario that brings us here to be realistic
17 at the time, you saw it as a possibility, didn't you?

18 A. It was contemplated in the settlement document out
19 of a belt and suspenders approach.

20 Q. Describe what you mean.

21 A. A very complete document that provides for all
22 possibilities, even though some may be remote just so as
23 to insure there is a complete end to the hostilities.

24 Q. I see what you mean. So when you say belt and
25 suspenders, what you're talking about, if I understand

1 correctly is, that if the objective of the settlement is
2 the functional equivalent of the pants, it's better to
3 have both a belt and suspenders in order to keep the pants
4 on and up; right?

5 A. Sort of, because -- and that doesn't presuppose
6 that the belt is going to fail. You don't have a view in
7 mind that the belt will fail.

8 Q. Right.

9 A. You just are making sure that that which you've
10 bargained for, which is the pants staying up, will remain
11 in place.

12 Q. Okay.

13 A. So that all the decisions that need to be arrived
14 at are arrived at before the settlement agreement is
15 signed.

16 It's the same way with any contract, you make sure
17 everything is known and understood and agreed upon before
18 you sign rather than afterwards.

19 Q. So then you have both belt, a belt and suspenders
20 so that if the belt fails, you got backup by suspenders;
21 right?

22 A. Well, both sides has the belt and suspenders.

23 Q. Okay. Now, when you were looking at the contract
24 with Armstrong, the pants was the contract itself, right,
25 as you said?

1 A. To continue the analogy, yes.

2 Q. Okay, to continue the analogy.

3 So then belt and suspenders were enforcement by
4 injunction; right?

5 A. Which one do we want?

6 Q. I don't know. I don't know.

7 A. It was this --

8 Q. I think we --

9 A. -- belt and suspenders was merely a comment, okay?

10 MR. BOWLES: One at a time.

11 MR. GREENE: Q. It's a good analogy.

12 A. Okay, fine. But as with any analogy, you can
13 extrapolate it to point where it becomes somewhat
14 nonsense.

15 Q. I'm just trying to get the idea with you. And so
16 in terms of the protections to keep the pants of the
17 agreement on, there was injunctive relief; right?

18 A. That's among the remedies for a breach; right.

19 Q. Okay. Attorneys' fees and costs?

20 A. Yes.

21 Q. Liquidated damages; right?

22 A. Yes.

23 Q. Enforcement in L.A.?

24 A. Yes.

25 Q. Nothing else aside from that; right?

1 A. Whatever is said in the agreement.

2 Q. Those are the enforcements, to your knowledge,
3 those are the enforcement provisions of the agreement that
4 you bargained for and negotiated to be able to protect
5 yourself in case the pants started to come off; right?

6 A. Those are among them, yes. We'd have to consult
7 the settlement agreement to make sure we got all of them.
8 I'm reciting it from memory as I sit here.

9 Q. So then now as you sit here today, when Armstrong
10 now talks about the content of his experiences in a
11 knowledge of Scientology, it doesn't do any real harm to
12 Scientology in the larger picture, does it?

13 A. In the larger sense, I don't know. It depends on
14 who he's doing the talking to, in what form. Continuing
15 to ferment litigation is a violation of the agreement.

16 Q. I understand that.

17 A. That's right.

18 Q. I understand that.

19 A. You're asking me to give an opinion on whether a
20 certain hypothetical activity on his part would
21 hypothetically damage the church in any way.

22 We have alleged damages in the case in L.A. We
23 have alleged damages we have sustained on the basis of his
24 breaches. I'd be happy to talk about those.

25 But in the hypothetical trying to say that in the

1 larger sense something he does doesn't damage the church,
2 it opens too much leeway for misinterpretation and I don't
3 think you want to do that.

4 Q. Certainly you wouldn't want to do that. And so my
5 next question to you --

6 A. I guess not.

7 Q. -- is what damage did the church suffer from the
8 quote of Gerald Armstrong's that was published in Newsweek
9 magazine?

10 MR. BOWLES: Objection. We're getting into
11 relevance here, Mr. Benz.

12 MR. BENZ: What? Is that claimed as one of the
13 items of damage?

14 MR. GREENE: Yes.

15 THE WITNESS: It's claimed as one of the items
16 which is an improper disclosure that gives rise to the
17 liquidated damages provision.

18 MR. BOWLES: In the other litigation.

19 THE WITNESS: In the other litigation. And that
20 liquidated damages provision was put there because of the
21 difficulty of assessing how much exact damage is for one
22 statement or this statement or the other statement.

23 MR. GREENE: Q. Okay.

24 A. So my answer would be given all of the factors,
25 50 K.

1 Q. And what are the factors that go into that
2 assessment?

3 A. Gerry's, at that time we believed, honest whole
4 hearted promise that if he said something like, that it
5 would be 50 K. And excuse me if I'm wrong for having
6 taken him at his word.

7 Q. I see. So what you're relying on is the
8 representation in the contract itself that the plaintiff
9 acknowledged that the estimate would be \$50,000?

10 A. For that specific type of disclosure that you've
11 mentioned.

12 Q. A experience/knowledge type of -- a 7-D disclosure?

13 A. If it's D. I believe it is D.

14 Q. It's D, okay.

15 A. Let me see.

16 Q. Why don't you take a look and confirm it?

17 A. It's D.

18 Q. Okay. Aside from the language in provision 7-D of
19 the contract whereby it states, "Plaintiff acknowledges
20 that \$50,000 is a reasonable estimation of the damage,"
21 what other considerations, if any, went into arriving at
22 that number?

23 Actually --

24 A. Go ahead.

25 Q. I'll withdraw that question and ask you this

1 question instead.

2 The figure of \$50,000, that originated from your
3 side of the table; right?

4 A. It was agreed upon by both sides of the table. I
5 don't remember which side originated the exact amount.

6 Q. Okay.

7 A. I think we originated the concept of liquidated
8 damages.

9 Q. And the purpose of the concept was to make sure
10 that the agreement had some teeth in it so that Armstrong
11 would respect and keep the agreement; right?

12 A. The purpose of that clause was a recognition of how
13 difficult it would be to prove individual items of damage
14 on individual disclosures. And it was a formulation based
15 upon an estimate of how much it would cost us to fix them.

16 Q. And when you say how much it would cost you to fix
17 them, then you're not actually referring to damage that --
18 well, let me ask you, when you say how much it would cost
19 us to fix them, is what you're referring to court costs
20 and attorneys' fees?

21 A. Not necessarily.

22 Q. What are you referring to?

23 A. Although, not -- may I finish my answer? I said
24 not necessarily, but I don't mean to necessarily exclude
25 that.

1 Q. Well, what do you mean to say?

2 A. What I mean to say is that anything we would have
3 to spend to fix it. You know, the concept of liquidated
4 damages presupposes, at least, what the contract says is
5 there's a difficulty calculating the precise damages,
6 attorneys' fees -- perhaps in terms of attorneys' fees in
7 consultation to fix the disclosure with the source it was
8 given to. I mean, the receive point, not the source.

9 Q. You mean, for example, we'll use the KFAX where
10 Armstrong was going to go on the radio. And there was a
11 letter from Bartilson threatening so sue the radio station
12 if they let Armstrong on because that would be a violation
13 of the settlement agreement, is that what you mean by
14 consultation with lawyers. Would that be an accurate
15 example?

16 A. No, that would not be an accurate example. That
17 would be a completely inaccurate example.

18 Q. And then litigation expenses would be a completely
19 inaccurate example, as well; right?

20 A. I don't think that that's necessarily the case.

21 Q. Then what is the case?

22 A. What is the case is what is put in the contract
23 exactly as it's put in the contract reflects the viewpoint
24 of both sides of the contract, because both sides freely
25 and voluntarily and willingly agreed to it. And a lot of

1 the things in the contract, there's a provision for
2 liquidated damages to avoid just the sort of word games
3 that you're trying to play with me in terms of calculating
4 damages.

5 Q. Well, the truth is is that there was no base line
6 of damages that you could calculate; right?

7 A. The truth is as expressed in the settlement
8 agreement and in that paragraph because the paragraph
9 describes what factors go into liquidated damages, I mean,
10 and the need for them there; that's the truth.

11 Q. There is no base line of damage assessment that you
12 have arrived at which relates to a 7-D disclosure, is
13 there, aside from what's in the actual body of the
14 contract?

15 A. The amount of liquidated damages that was agreed
16 upon to be put in that contract for these improper
17 disclosures was based on a reasonable calculation.

18 Q. Okay.

19 A. It is a reasonable amount. It is an effort to
20 quantify that which is difficult to quantify. It is
21 certainly not punitive in nature. It is the classic
22 liquidated damages.

23 Q. Well, I really appreciate all of your contractual
24 construction, Mr. Farny, but I'd like to get some direct
25 answers from you.

1 A. You just did.

2 Q. And so far you want to make comments about word
3 games and this and that. I'm sorry, sir, you're the one
4 playing word games here.

5 MR. BOWLES: Objection.

6 MR. BENZ: Objection is sustained.

7 THE WITNESS: We're taking a break.

8 MR. BENZ: And I'd admonish Counsel and the witness
9 to engage in question and answer instead of personal
10 comments.

11 MR. WALTON: Just from my perspective, I think that
12 maybe that admonishment can be given -- as to waiting
13 until we're at this level -- maybe earlier on a lot of
14 that stuff coming from that side of the table.

15 (Short recess.)

16 MR. BENZ: Let me again repeat the admonition that
17 we want to return to the questions and answers.

18 And I have made it a practice, and would prefer
19 this, but I will change it if necessary, and that is I
20 don't insert into the deposition until such time there is
21 an objection and a request for a ruling, since I prefer to
22 allow leeway for the questioner to question and the
23 answerer to answer. But if it does appear to be getting
24 out of line, I will step in earlier. And if you want me
25 to step in earlier and I haven't, please ask.

1 MR. GREENE: Okay.

2 MR. BENZ: Okay.

3 MR. BOWLES: Mr. Greene, I would remind you that
4 you're going to take the morning -- this morning to wrap
5 up. And so far I haven't heard any relevant questions
6 yet. So why don't you proceed with something that
7 actually has something to do with the fraudulent
8 conveyance suit.

9 MR. GREENE: Thank you for your suggestion, Mr.
10 Bowles.

11 MR. BOWLES: Okay.

12 MR. GREENE: Would you read back the last question
13 and answer?

14 (Record read by the reporter.)

15 MR. GREENE: Q. Would you describe for me, please,
16 the reasonable calculation to which in your last answer
17 you made reference?

18 MR. BOWLES: Objection. Calls for a legal
19 conclusion and it is irrelevant to the lawsuit in which we
20 are engaged.

21 I've let this witness go on for some time now back
22 and forth with the attorney. And I think we've beaten
23 this to death. And I think this had gone way off the
24 track, so let's get on to a new subject.

25 MR. BENZ: I'll sustain the objection at this

1 point.

2 MR. WALTON: May I?

3 MR. GREENE: No argument? I don't get to respond?

4 MR. BENZ: I'll give you my ruling and then you can
5 respond.

6 MR. GREENE: That's fine.

7 MR. BENZ: See if you can change my mind. Go
8 ahead. Mr. Greene first, then Mr. Walton.

9 MR. GREENE: All right. The reason that I think
10 your ruling is wrong is that the entire basis, as you
11 know, and in fact the basis of the fraudulent conveyance
12 action is the claim that's asserted in L.A.

13 The lion's share of the claim that's asserted in
14 L.A. in terms of monetary damages is predicated on the
15 claimed entitlement to liquidated damages.

16 And in order to be able to determine the
17 enforceability of that liquidated damages provision as
18 reflected in the claims made in the L.A. lawsuit upon
19 which the claim that the Marin lawsuit is based, I'm
20 completely entitled to go into how it was that this figure
21 was arrived at.

22 I mean, the principles of law are very, very clear
23 with respect to liquidated damages. And I'm, simply based
24 on what those principles are, inquiring of this witness
25 what is the basis of the calculation that the liquidated

1 damages should be \$50,000 a pop. How was that arrived at.

2 The law is very, very clear that there's got to be
3 some reasonable calculation, as Mr. Farny knows, those
4 were the words that just came out of his mouth. And now
5 that I'd asked him to explain -- and I think that it's a
6 complete denial of Mr. Armstrong's right to obtain
7 evidence that's relevant to defend himself in the Marin
8 lawsuit because, as you know, the lion's share of the
9 affirmative defenses in the Marin lawsuit are an attack on
10 the agreement upon which the Marin lawsuit is based.

11 And one of those affirmative defenses is that the
12 liquidated damages provision is not a reasonable
13 calculation, but is a penalty. And your ruling, his
14 answer, my question, the objection, my question -- his --
15 it's a denial of Armstrong's right to due process. It's a
16 denial of Armstrong's right to obtain discovery on an
17 issue that is so material.

18 And I'll add that during the first session of this
19 witness's deposition, he admitted when Mr. Walton
20 questioned him that just insofar as adding up the numbers
21 of liquidated damages there was a mistake of \$100,000. So
22 when you take claims predicated on the entitlement to
23 liquidated damages, that Scientology is saying, hey, this
24 transaction was in -- and transfer was fraudulent and
25 designed to gyp us and cynically deceive us out of that to

1 which we are entitled, and they're standing on the
2 contract, I certainly have the right to find out how that
3 term was arrived at on the contract. And I respect any
4 submit that your ruling is incorrect.

5 MR. BENZ: Mr. Walton.

6 MR. WALTON: It seemed to me that you partially
7 ruled on this when I was doing my brief stint, your Honor.
8 I was talking about -- I was trying to get some
9 information regarding what these damages were, as you
10 recall.

11 I'm not party to this Los Angeles lawsuit.
12 However, by alleging a conspiracy, plaintiff is trying to
13 hold me responsible for whatever the damages are that
14 they've alleged in this other lawsuit to which I'm not a
15 party.

16 So I think my explanation and your ruling last time
17 is that I am entitled to find out what is the damage. I
18 mean, since I'm not -- I don't have any rights in this
19 other lawsuit, but I need to know what the damages are and
20 how the plaintiff came up with the damages in order to be
21 able to get some sort of defense together to protect
22 myself from this \$3.8 million claim.

23 All I know is there's this claim, and I don't know
24 how they came about it. I look at the -- as we were sort
25 of going through the complaint, and as you recall I was

1 asking questions, sort of boring everybody, but I really
2 need to know what the particulars are in order to be able
3 to defend myself.

4 MR. BENZ: Okay, Mr. Bowles.

5 MR. BOWLES: Are you inclined to change your
6 ruling?

7 MR. BENZ: Somewhat.

8 MR. BOWLES: All right.

9 MR. BENZ: I take advantage of this opportunity.

10 MR. BOWLES: Because if you weren't, I wasn't going
11 to say anything.

12 MR. BENZ: No, I understand.

13 MR. BOWLES: Mr. Greene has gone on at great length
14 on the liquidated damages clause already. This is a
15 lawsuit today that involves Mr. Armstrong's fraudulent
16 conveying assets of his own in order to go judge proof.

17 That issue, I haven't heard questions related to
18 that issue related all day today.

19 The issue as to whether or not liquidated damages
20 were calculated in a proper manner, or the contract down
21 in Los Angeles was at issue in Los Angeles was worded in a
22 proper way, or the intention behind it was proper are
23 matters for the Los Angeles court; they're not matters for
24 this litigation. It doesn't matter a whit how much comes
25 out of L.A. What matters in this case is whether or not

1 Mr. Armstrong gave away assets without adequate exchange
2 and for which the plaintiff, if it prevailed in Los
3 Angeles, will have some access to satisfy a judgment.

4 So again, I think what Mr. Greene is doing is
5 spinning his wheels and wasting all of our time by getting
6 into minutia of another piece of litigation.

7 MR. BENZ: Submitted?

8 MR. WALTON: I was just going to point out one more
9 thing and that is that the issue as to the amount of
10 damages is certainly critical because, if it turns out
11 that Scientology, the plaintiff, has proven \$12.80 worth
12 of damages, then certainly Mr. Armstrong's conveyances are
13 not -- they have no relevance because he can probably come
14 up with the \$12.80.

15 So I think it's really crucial for us to try to
16 find out as closely as we can what the damages are and how
17 did the plaintiff get to this position where they're
18 claiming \$3.8 million. I submit.

19 MR. BOWLES: Mr. Benz, excuse me, we're already
20 beaten this issue to death.

21 Mr. Farny has testified already as to what the
22 basis for the liquidated damages was. So in addition to
23 my prior objection, I think it's already asked and
24 answered as well. We've already taken more than enough
25 time in this area.

1 MR. GREENE: I would -- if based on what Mr. Bowles
2 says here, I would be satisfied if what the witness says,
3 and I'll ask the question is if there were no other
4 factors that went into the calculation of what liquidated
5 damages should be aside from what he said, then we can
6 move on.

7 But unless he's willing to adopt what his attorney
8 says and, you know, give us a base line so that we know
9 what we're dealing with, then I've got to find out. And
10 it's an affirmative defense. The issue is joined. It's
11 in this lawsuit.

12 MR. BENZ: The problem I have with it is the
13 complaint. The first two causes of action are fraudulent
14 conveyance, which is no problem, I would be able to rule
15 easily if the lawsuit were limited to that. However, the
16 third cause of action, we have a conspiracy cause of
17 action requesting \$1.8 million in general damages and also
18 requesting \$3 million in punitive damages on the
19 conspiracy count. Consequently -- and the question of
20 whether punitive damages is --

21 MR. ARMSTRONG: Liquidated.

22 MR. BENZ: Excuse me -- liquidated damages are
23 proper or a penalty is raised by an affirmative defense,
24 that it's still at issue. I'm going to allow some
25 additional questioning on that issue on how they were

1 arrived at to the extent the witness knows.

2 MR. GREENE: Thank you.

3 Q. Mr. Farny, aside from what you have told us thus
4 far with respect to how the \$50,000 liquidated damages
5 amount was arrived at, are there any other factors that
6 went into that determination aside from the fact that in
7 the agreement the reasonableness of that amount was
8 acknowledged by plaintiff?

9 A. Well, as I said earlier, it was an effort to
10 approximate what it would take to fix any, you know, any
11 improper disclosure.

12 Obviously, some would take more than that amount,
13 but it was an effort to calculate as best we could at that
14 end of it what it would take to fix the results flowing
15 from an improper disclosure --

16 Q. I understand that --

17 A. -- that's what I communicated as the base line.

18 Q. I understand that that was the intention. What I'm
19 trying to find out from you is what is the \$50,000 in
20 proportion to?

21 A. It was in proportion to what it would take, what it
22 would cost us to fix.

23 Q. And I'm asking you how did you determine the cost
24 that would be incurred to do --

25 A. Well, it was --

1 Q. -- such a fix?

2 A. It was an estimate of staff time, attorney time,
3 any other actual expenses that might go into it. I mean,
4 it was an effort to quantify what it would take.

5 Q. Staff time --

6 A. Recognizing that it would be difficult to do.

7 Q. Staff time to do what?

8 A. To fix whatever resulted from the improper
9 disclosure, whatever that would have been.

10 I mean, I think you're seeing the line of reasoning
11 that both sides engaged upon, at least insofar as Gerry's
12 lawyer in arriving at an agreement that liquidated damages
13 would be appropriate.

14 It was an effort to estimate what it would take to
15 fix an improper disclosure in terms of correcting the
16 information at the receipt point and the other factors I
17 discussed.

18 Q. Let me ask you this. You're familiar with the, I
19 believe it was May 6th, 1991 Time magazine article
20 entitled "Scientology, the Cult of Greed"; right?

21 A. I'm familiar with the article, yes.

22 Q. And in your view, that was a very damaging article;
23 right?

24 A. Yes.

25 Q. And in order to remedy the damage, Scientology took

1 out a series of full page ads over a number of days in USA
2 Today; right?

3 A. In part, but that didn't completely recompense
4 this.

5 Q. So then would that be what you're talking about?

6 A. Do you mean would those precise ads be what I'm
7 talking about or that type of activity?

8 Q. That type of activity.

9 A. That type of activity is among the possible types
10 of activity that would fit within the considerations at
11 the beginning before anything happened.

12 Q. So then at the beginning, what was the estimation
13 of staff time that you made?

14 A. It wasn't broken down. All the factors were
15 combined, all the possible factors of what it would take
16 were combined and an amount was arrived at that seemed to
17 approximate what all those factors would be. But an
18 arithmetical calculation of this much in staff time, this
19 much in media time, this much in attorney time, no, it was
20 just based on the experience in dealing with that sort of
21 activity.

22 Q. What was your experience in dealing with that sort
23 of activity that you relied on?

24 A. It wasn't merely mine, it was --

25 Q. I know. I'm speaking of --

1 A. -- of the entire group at the table, including the
2 lawyers.

3 Q. So what was it?

4 A. That \$50,000 would be reasonable.

5 Q. Was there an actual quantification of staff time?

6 MR. BOWLES: Asked and answered.

7 THE WITNESS: Only as a component of the entire
8 matrix.

9 MR. GREENE: Q. And how much was that?

10 A. It was a portion of the entire matrix. As I said,
11 I didn't quantify this much for staff time, this much for
12 attorney time. It was, well, what would go into it?
13 Well, we'd have staff time going into it, attorney time
14 going into it, and other factors --

15 Q. All right.

16 A. -- you see. And we arrived at, well, what would be
17 a fair number, and what was arrived at after negotiation
18 was that this number would be the correct, the best
19 number.

20 Q. And what specifically was the staff time estimated
21 to address?

22 MR. BOWLES: Objection, that's asked and answered,
23 Mr. Benz. We're just going around in circles here. He's
24 already answered the question, and Mr. Greene is now
25 repeating himself.

1 MR. BENZ: I think this question is a little bit
2 different from the standpoint he's asking whether -- not
3 the amount of staff time or the quantification of staff
4 time, but what it was --

5 MR. GREENE: The purpose.

6 MR. BENZ: All right.

7 THE WITNESS: Engaging in the activity of
8 correcting whatever resulted from an improper disclosure
9 as opposed to the normal duties. That was the general
10 consideration.

11 MR. GREENE: Q. And what about attorney time?

12 A. What about it?

13 Q. What would that be? What would be the purpose of
14 attorney time?

15 A. Attorney work needed and in rectifying that which
16 flowed from the improper disclosure.

17 Q. Does that include attorneys fees to litigate?

18 A. Doesn't necessarily exclude them, although there is
19 a separate provision in the settlement agreement for
20 collecting attorneys fees in prevailing in any enforcement
21 action.

22 MR. GREENE: Mr. Benz, I would request you direct
23 the witness to answer the question directly rather than by
24 giving me an evasive recitation back to the settlement
25 agreement.

1 MR. BOWLES: I object to that. He's answered your
2 question.

3 MR. BENZ: I think he has answered the question.
4 If you want to ask him another question.

5 MR. GREENE: Okay.

6 Q. Are you saying then that since attorneys' --
7 there's an attorneys' fees provision in the contract, that
8 attorneys' fees to rectify a 7-D violation are not
9 included, or were not included in the assessment of the
10 \$50,000 as being a reasonable calculation?

11 A. No, that's not what I said. That's actually not
12 what I'm saying, because there's different types of
13 attorneys' fees for different types of activity the
14 attorney would be engaged upon in rectifying a 7-D
15 disclosure.

16 There may be, for example, hypothetically, other
17 litigation necessary to correct a 7-D disclosure that
18 Armstrong would not have been a party to, for example.
19 And it wouldn't be a litigation designed for enforcement.
20 And calling into play that provision of the settlement
21 agreement. But it would be other --

22 Now, one of the factors entering into the
23 consideration giving rise to liquidated damages is whether
24 or not one would want to put directly at issue the
25 attorneys' bills from the other litigation that may result

1 from an improper disclosure.

2 So instead of doing that, a number is arrived at
3 that includes as a component part the best estimate
4 possible of what might be the attorneys' fees, you know,
5 that would have to be spent. Do you see what I'm saying?

6 Q. No, I don't.

7 A. I can't help you then.

8 MR. BOWLES: It's clear to me. Next question.

9 MR. GREENE: Q. Were there attorneys' fees -- I
10 mean, excuse me.

11 Were there liquidated damages provisions in the
12 other contracts?

13 MR. BOWLES: Okay. Objection, that's going into
14 the confidential content of the other agreements.

15 MR. GREENE: Number one, we have a waiver. This
16 witness yesterday testified at length about what we did
17 with respect to them and the provisions in their
18 contracts.

19 Number two, the question whether or not the
20 liquidated damages provision at issue here is a reasonable
21 estimation or a penalty is directly -- the question of
22 whether or not there were similar provisions for other
23 people, and if so what the amounts of those provisions
24 were, will provide relevant evidence directed at that
25 issue.

1 And again, that's the affirmative defense, is that
2 the purpose of this liquidated damages provision is to act
3 as a penalty, not as a reasonable assessment. And
4 certainly one way of determining whether or not this
5 liquidated damages provision is a penalty is what its
6 amounts are in comparison to the other people who were all
7 part of this universal settlement.

8 MR. BENZ: Well, I don't think the question was
9 quite --

10 Could you read that question back again?

11 (Pending question read by the reporter.)

12 MR. BOWLES: This goes to the content of the other
13 agreements. There has been no waiver. Yesterday's
14 testimony dealt with initial considerations on the overall
15 negotiation with Mr. Flynn. We've objected to the content
16 of the other agreements. That objection has been
17 sustained yesterday and this is no different.

18 MR. BENZ: I'm going to sustain the objection with
19 this comment, that if plaintiff intends to defend on the
20 grounds that this was the same provision in all of the
21 contracts, or to respond to the affirmative defense that
22 everybody in the whole world agreed to that, I mean,
23 everybody in connection with the settlement agreed to a
24 similar -- to a liquidated damages provision, and to a
25 similar liquidated damages position, I will recommend that

1 discovery be reopened and/or that the court prohibit
2 admission of that evidence if so offered by the plaintiff.
3 Obviously, I can't rule on it. But with that in mind, I
4 will sustain the objection.

5 MR. GREENE: Well, then can we -- would the referee
6 inquire of the plaintiff whether or not that's going to be
7 their position so that we can take the action that we need
8 to to get the discovery we need, if we need it? I mean,
9 if they're willing to enter into that stipulation, then
10 that's fine. But if they're not, then we need to know
11 that so that we can take the appropriate actions because
12 trial is coming right up quick.

13 MR. BENZ: Well, I can't ask them to -- I don't
14 believe I have the power to ask them to so stipulate.

15 My ruling is based upon the fact that there's
16 nothing to indicate that is part of their defense. I
17 mean, excuse me, not a defense, but response to the
18 affirmative defense. If they take that position, then my
19 ruling would obviously be different and I would ask the
20 trial judge to take that into consideration in ruling on
21 the admissibility of whatever may be offered.

22 MR. GREENE: Okay.

23 Q. Aside from Armstrong's agreement and staff time and
24 attorney time required to correct, as you say, a 7-D
25 violation, are there any other factors that went into your

1 calculus in consequence of which you arrived at the
2 \$50,000 liquidated damages figure?

3 A. I believe I gave two other factors, which was any
4 other expenses that we would have to pay in order to fix
5 the result of that, and I believe you introduced the
6 concept of whether that could include payments for
7 advertisements to fix it. -- And I agreed that that could
8 include that.

9 And then, of course, there's the general
10 consideration, which I've testified to more than the other
11 specific components, which was a sense from the group
12 discussing what to put in the agreement, what would be
13 reasonable based on our experience of what it would take
14 to fix some sort of improper disclosure. Those are the
15 ones that I'm aware of as I sit here.

16 Q. At the time of consideration, you did not think
17 about advertisements, did you?

18 A. I don't remember whether we did or not. But it
19 would be the sort of expense that would be within what we
20 did consider.

21 Q. And what would need to be fixed and corrected would
22 be false information coming from Armstrong about
23 Scientology; right?

24 A. Well, that provision of the agreement isn't limited
25 to an assessment of whether what he says is true or false,

1 but that would be a factor.

2 Q. And that was a very important factor, wasn't it?

3 A. It was an important factor, certainly.

4 Q. Were there negotiations with Flynn with respect to
5 what the amount of the liquidated damages would be?

6 A. I believe so.

7 Q. And how did those negotiations go? Did you guys
8 first say, "Well, what we want is \$100,000 per violation,"
9 and he came back and say, you know, 25?

10 A. No, I don't remember it being that way.

11 MR. BOWLES: This is also asked and answered, Mr.
12 Greene, about an hour ago.

13 MR. GREENE: Q. Were any numbers discussed back
14 and forth between your side and Flynn in consequence of
15 which the \$50,000 amount was arrived at?

16 A. At least \$50,000 was one -- was a number discussed.
17 I don't remember whether there were other numbers
18 discussed. I just don't remember one way or the other.

19 Q. You are familiar with two individuals named Vicky
20 and Richard Aznaran, are you not?

21 A. Yes.

22 Q. And they executed settlement agreements with CSI,
23 did they not, among other entities?

24 A. They have, yes.

25 MR. GREENE: I would like to mark as Exhibit 23 an

1 eight-page agreement entitled Mutual Release Agreement,
2 and then as 24 one with the same title, with 23 pertaining
3 to Vicky Aznaran, 24 to Richard Aznaran.

4 (Defendant's Exhibit Nos. 23 and 24 marked.)

5 MR. BOWLES: Have you got extra copies?

6 MR. GREENE: No.

7 Q. Would you take a look at Exhibit 23, please.

8 A. I've looked over it.

9 Q. The last page has got somebody who has signed on
10 behalf of CSI; right?

11 A. Yes.

12 Q. And you were in CSI legal at the time -- or in OSA
13 legal within CSI at the time this agreement was executed,
14 weren't you?

15 A. Not really. I was officially posted there, but
16 this was during the time period when I was on the RPF.

17 Q. This was when you were on the RPF?

18 A. Yes.

19 Q. Subsequently, you have seen these agreements, have
20 you not?

21 A. Yes.

22 Q. And Exhibit 23 is an accurate copy of Vicky
23 Aznaran's settlement agreement, is it not?

24 A. If you say so. It appears to be complete, but I
25 don't know.

1 Well, wait a minute.

2 The number is Xeroxed off the bottom of page five,
3 but otherwise it appears to be complete.

4 Q. And would you conduct the same examination with
5 respect to Exhibit 24.

6 A. Yes.

7 Q. And Exhibit 24 appears to be a true and correct
8 copy of Richard Aznaran's settlement agreement with CSI;
9 does it not?

10 A. It appears to.

11 Q. Now, Richard Aznaran worked for the Scientology
12 organization as the head of security worldwide, did he
13 not?

14 MR. BOWLES: I'm sorry, can you read back or
15 restate it?

16 MR. GREENE: Q. Yes. Richard Aznaran worked for
17 the Scientology organization as head the head of security
18 worldwide, did he not?

19 MR. BOWLES: Objection, vague.

20 THE WITNESS: No. He worked for us. He worked in
21 security for a time, a brief time, but I wouldn't describe
22 his position as that.

23 MR. GREENE: Q. Richard Aznaran actually conducted
24 or designed the security in Gilman Hot Springs, didn't he

25 A. I'm aware of him saying he did, yes.

1 Q. And you're aware of the fact that he did so do
2 that, aren't you?

3 A. Some, but I couldn't say which.

4 Q. And Vicky Aznaran was the inspector general for
5 Religious Technology Center; right?

6 A. Yes.

7 Q. She was directly under David Miscavich; right?

8 A. Well, that was one of the issues in the suit,
9 whether she was or wasn't. I don't know what she
10 considered herself. She was the president of Religious
11 Technology Center and the inspector general, which was a
12 senior position in that entity.

13 Q. And she was privy to a tremendous amount of
14 information having to do with day-to-day Scientology
15 operations, wasn't she?

16 A. I don't know what she availed herself of. I have
17 no idea.

18 Q. Do you have any explanation why the liquidated
19 damages provisions in Exhibits 23 and 24 is \$10,000 per
20 violation?

21 A. I don't know. I wasn't involved in the process
22 that led to these documents.

23 Q. Do you know whether or not -- strike that.

24 Richards and Vicky Aznaran left the Scientology
25 organization in April of 1988, to your knowledge, didn't

1 they?

2 A. No.

3 Q. Or 1987, excuse me?

4 A. Again, no. They originally left in March.

5 Q. March of 1987?

6 A. That's correct.

7 Q. And they routed out of Scientology, didn't they?

8 A. They routed off staff.

9 Q. And one of the conditions of their routing off
10 staff was the execution of Exhibits 23 and 24; isn't that
11 right?

12 A. I don't know if it was a condition of their routing
13 off staff. It was a document, to my knowledge, that was
14 signed so as to document the relationship with them at the
15 time, but it wasn't necessarily a condition of their
16 routing off staff. It happened to have been done, as you
17 can see, because it's sitting on the table.

18 Q. Aside from the loss that you attributed to having
19 to pay for attorney time, staff time, expenses, is there
20 any other component of loss which you included in your
21 calculus that resulted in the \$50,000 liquidated damage
22 figure?

23 A. There may have been. There were several people
24 involved from our side in the group that resulted in the
25 settlement. I could only speak from my point of view of

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I, SUSAN M. LYON, a Certified Shorthand Reporter in and for the State of California, do hereby certify:

That the witness named in the foregoing deposition was present and duly sworn to testify the truth in the within-entitled action on the day and date and at the time and place therein specified;

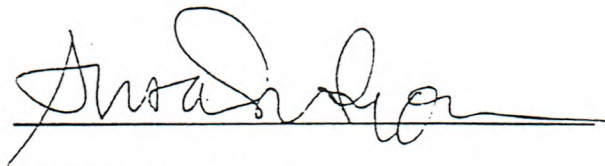
That the testimony of said witness was reported by me in shorthand and was thereafter transcribed under my direction into typewriting;

That the foregoing constitutes a full, true and correct transcript of said deposition and of the proceedings which took place;

That the witness was given an opportunity to read and, if necessary, correct said deposition and to subscribe the same;

That I am a disinterested person to the said action;

IN WITNESS WHEREOF, I have hereunto subscribed my hand this 8th day of August 1994.



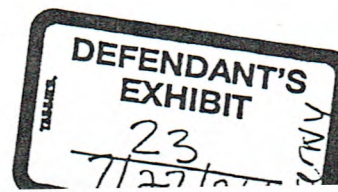
SUSAN M. LYON

CSR #5829

MUTUAL RELEASE AGREEMENT

1. This MUTUAL RELEASE AGREEMENT is made and entered into by and between VICKI AZNARAN and the Religious Technology Center; Church of Scientology International; Church of Scientology of California; Church of Spiritual Technology; all other Scientology organizations or entities as well as the officers, agents, representatives, employees, volunteers, trustees, directors, successors, assigns, and legal counsel of each of the forgoing organizations or entities; Pat Broeker and Anne Broeker (hereinafter collectively referred to as the "CHURCH"); and Author Services Incorporated, it's officers, agents, representatives, employees, volunteers, trustees, directors, successors, assigns and legal counsel; the Estate of L. Ron Hubbard, it's executor, beneficiaries, legal counsel and employees; Author's Family Trust, it's trustee, employees, beneficiaries, and legal counsel (hereinafter collectively referred to as the "ESTATE/ASI").

2. The CHURCH agrees to indemnify VICKI AZNARAN against any damages stemming from lawsuits which exist now or are brought against her in the future arising out of her association with the Church of Scientology or any posts she has held in the Church. It is understood that as a part of this agreement the CHURCH will provide free legal counsel to VICKI AZNARAN providing she cooperates fully with the CHURCH and CHURCH attorneys and she contacts the CHURCH immediately when she becomes aware of any potential or real legal threat to herself and/or the CHURCH.



3. For and in consideration of the above mutual covenants, conditions and release contained herein, VICKI AZNARAN does hereby release, acquit and forever discharge for herself, her heirs, successors, executors, administrators and assigns, the CHURCH and the ESTATE/ASI from any and all claims, demands, damages, actions and causes of action of every kind and nature, known or unknown, from the beginning of time to and including the date hereof.

4. For and in consideration of the mutual covenants, conditions and release contained herein, the CHURCH and the ESTATE/ASI do hereby release, acquit and forever discharge for it, its successors and assigns, VICKI AZNARAN, her agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by VICKI AZNARAN from the beginning of time to and including the date hereof.

5. It is understood that this mutual release is not an admission of liability on the part of any party to this Agreement. In executing this Release Agreement, VICKI AZNARAN acknowledges that she has released the organizations, individuals and entities listed in Paragraph 1.

6. Further, the undersigned hereby agree to the following:

A. That liability for any claims is expressly denied by each party herein released, and this Agreement shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. VICKI AZNARAN has been fully advised and understands that any alleged injuries or alleged money claims sustained by her are of such character that the full extent and type of injuries or money claims may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, damages may be sustained by VICKI AZNARAN; nevertheless, VICKI AZNARAN desires by this document to forever and fully release the CHURCH and the ESTATE/ASI. VICKI AZNARAN understands that by the execution of this release no claims arising out of her experience with, or actions by, the CHURCH and the ESTATE/ASI, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by her or on her behalf, against the CHURCH and the ESTATE/ASI.

C. VICKI AZNARAN agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other similar form, any writing, or to broadcast, or to assist another to create, write, film or video tape or audio tape, any show, program or movie, concerning her experiences with the Church of Scientology, or personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard, or any entities and individuals listed in Paragraph 1 above. VICKI AZNARAN further agrees that she will maintain strict confidentiality and silence with respect to her experiences with the Church of Scientology and any knowledge or information she may have concerning the Church of 10

Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. VICKI AZNARAN expressly understands that the non-disclosure provisions of this subparagraph shall apply, but not be limited to, the contents or substance of any documents she may have possessed while in the Church including but not limited to any tapes, films, photographs, or variations thereof which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. VICKI AZNARAN agrees that if the terms of this paragraph are breached by her, that the aggrieved party listed hereinabove would be entitled to liquidated damages in the amount of \$10,000 for each such breach. The reasonableness of the amount of such damages are hereto acknowledged by VICKI AZNARAN.

D. VICKI AZNARAN agrees to return to the CHURCH at the time of the consummation of this Agreement, all materials in her possession, custody or control of any nature - except for any materials she personally possesses that are generally publically available and sold by the Church or their authorized agents - any documents, papers, memorandums, tapes, films, photographs, or any variations thereof which concern or relate to the religion of Scientology or any of the persons or entities listed in Paragraph 1 above.

E. VICKI AZNARAN agrees that she will not voluntarily assist or cooperate with any person adverse to the religion of Scientology in any proceeding against any of the Scientology organizations, or cooperate with any person adverse to any of the organizations, individuals or entities listed in

Paragraph 1 above in any proceeding against any of the organizations, individuals, or entities listed in Paragraph 1 above. VICKI AZNARAN also agrees that she will not cooperate in any manner with any organizations aligned against Scientology or any of the organizations, individuals, or entities listed in Paragraph 1 above.

F. VICKI AZNARAN agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the organizations, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Unless required to do so by such subpoena, VICKI AZNARAN agrees not to discuss her experiences or personal or indirectly acquired knowledge or information concerning the organizations, individuals, or entities listed in Paragraph 1, with anyone other than members of her immediate family. VICKI AZNARAN shall not make herself amenable to service of any such subpoena in a manner which invalidates the intent of this agreement. As provided hereinafter in Paragraph 16, the contents of this Agreement may not be disclosed.

G. VICKI AZNARAN hereby acknowledges and affirms that she is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that her ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.

7. This Release Agreement contains the entire Agreement between the parties hereto, and the terms of this Release are 12 contractual and not a mere recital. This Release may be

amended only by a written instrument executed by the undersigned. The parties hereto have carefully read and understand the contents of this Release Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

8. VICKI AZNARAN agrees that she will not assist or advise anyone, including partnerships, associations or corporations, contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

9. The parties to this Agreement acknowledge that all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will.

10. In the event any provision hereof is unenforceable, such provision shall not affect the enforceability of any other provision hereof.

11. Each party warrants that it has had an opportunity to seek independent legal advice with respect to the advisability of making the settlement provided for herein and in executing this Agreement. Notwithstanding, VICKI AZNARAN warrants that she fully understand the full nature and legal consequences of this agreement.

12. The parties to this Agreement acknowledge that all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have had the opportunity to seek advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement.

13. The parties hereto acknowledge that they have not made any statement, representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party or of any officer, agent, employee, representative or attorney for the other party.

14. The parties to this Agreement agree that all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

15. Each party warrants that the persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

16. The parties hereto each agree not to disclose the contents of this executed Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into and executed this Agreement, on the date opposite their names.

Dated: 9 Apr '87

Vicki Aznar
VICKI AZNARAN

Dated: 13 April 87

RELIGIOUS TECHNOLOGY CENTER

BY: [Signature]

Dated: 14 April 1987

CHURCH OF SCIENTOLOGY INTERNATIONAL

BY: [Signature]

Dated: 13 April 1987

CHURCH OF SCIENTOLOGY CALIFORNIA

BY: [Signature]

Dated: 9 April 1987

CHURCH OF SPIRITUAL TECHNOLOGY

BY: [Signature]

Dated: 13 April 1987

AUTHOR SERVICES INC.

BY: [Signature]

Dated: 13 April 1987

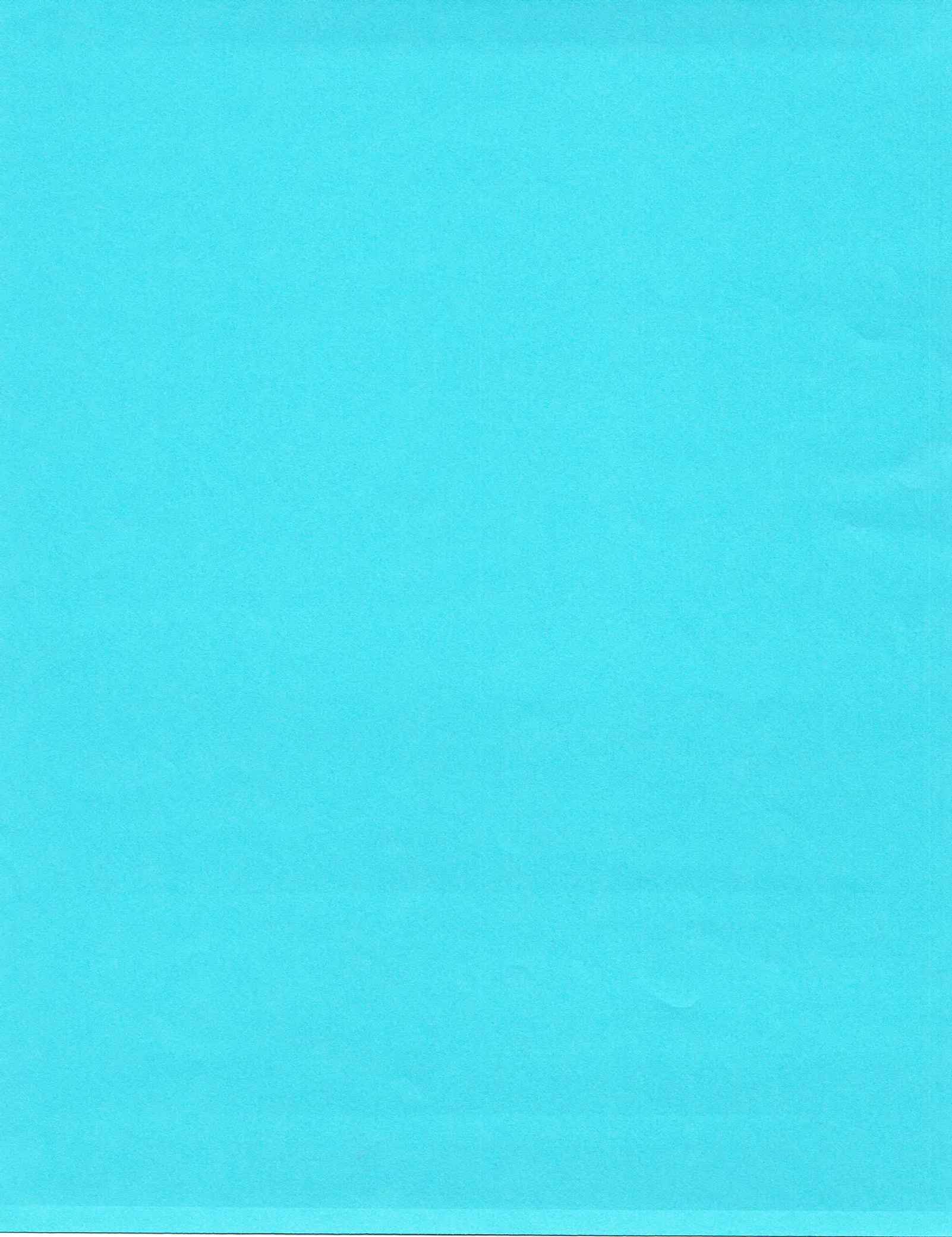
ESTATE OF L. RON HUBBARD

BY: [Signature]

Dated: 13 April 1987

AUTHOR'S FAMILY TRUST

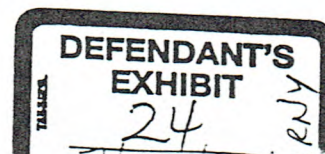
BY: [Signature]



MUTUAL RELEASE AGREEMENT

1. This MUTUAL RELEASE AGREEMENT is made and entered into by and between RICK AZNARAN and the Religious Technology Center; Church of Scientology International; Church of Scientology of California; Church of Spiritual Technology; all other Scientology organizations or entities as well as the officers, agents, representatives, employees, volunteers, trustees, directors, successors, assigns, and legal counsel of each of the forgoing organizations or entities; Pat Broeker and Anne Broeker (hereinafter collectively referred to as the "CHURCH"); and Author Services Incorporated, it's officers, agents, representatives, employees, volunteers, trustees, directors, successors, assigns and legal counsel; the Estate of L. Ron Hubbard, it's executor, beneficiaries, legal counsel and employees; Author's Family Trust, it's trustee, employees, beneficiaries, and legal counsel (hereinafter collectively referred to as the "ESTATE/ASI").

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3. For and in consideration of the above mutual covenants, conditions and release contained herein, RICK AZNARAN does hereby release, acquit and forever discharge for himself, his heirs, successors, executors, administrators and assigns, the CHURCH and the ESTATE/ASI from any and all claims, demands, damages, actions and causes of action of every kind and nature, known or unknown, from the beginning of time to and including the date hereof.

4. For and in consideration of the mutual covenants, conditions and release contained herein, the CHURCH and the ESTATE/ASI do hereby release, acquit and forever discharge for it, its successors and assigns, RICK AZNARAN, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by RICK AZNARAN from the beginning of time to and including the date hereof.

5. It is understood that this mutual release is not an admission of liability on the part of any party to this Agreement. In executing this Release Agreement, RICK AZNARAN acknowledges that he has released the organizations, individuals and entities listed in Paragraph 1.

6. Further, the undersigned hereby agree to the following:

A. That liability for any claims is expressly denied by each party herein released, and this Agreement shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. RICK AZNARAN has been fully advised and understands that any alleged injuries or alleged money claims sustained by him are of such character that the full extent and type of injuries or money claims may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, damages may be sustained by RICK AZNARAN; nevertheless, RICK AZNARAN desires by this document to forever and fully release the CHURCH and the ESTATE/ASI. RICK AZNARAN understands that by the execution of this release no claims arising out of his experience with, or actions by, the CHURCH and the ESTATE/ASI, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the CHURCH and the ESTATE/ASI.

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7. This Release Agreement contains the entire Agreement between the parties hereto, and the terms of this Release are contractual and not a mere recital. This Release may be

amended only by a written instrument executed by the undersigned. The parties hereto have carefully read and understand the contents of this Release Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

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10. In the event any provision hereof is unenforceable, such provision shall not affect the enforceability of any other provision hereof.

11. Each party warrants that it has had an opportunity to seek independent legal advice with respect to the advisability of making the settlement provided for herein and in executing this Agreement. Notwithstanding, RICK AZNARAN warrants that he fully understand the full nature and legal consequences of this agreement.

12. The parties to this Agreement acknowledge that all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have had the opportunity to seek advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement.

13. The parties hereto acknowledge that they have not made any statement, representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party or of any officer, agent, employee, representative or attorney for the other party.

14. The parties to this Agreement agree that all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

15. Each party warrants that the persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

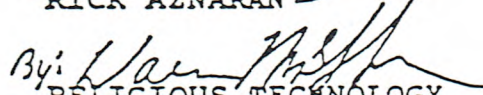
16. The parties hereto each agree not to disclose the contents of this executed Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into and executed this Agreement, on the date opposite their names.

Dated: 9 Apr 87


RICK AZNARAN


Dated: 23 April 1987

By: 
RELIGIOUS TECHNOLOGY
CENTER

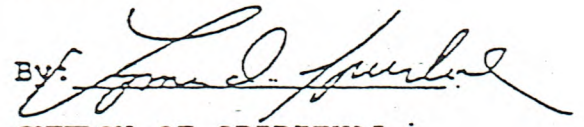
Dated: 19 April 1987

BY: 
CHURCH OF SCIENTOLOGY
INTERNATIONAL

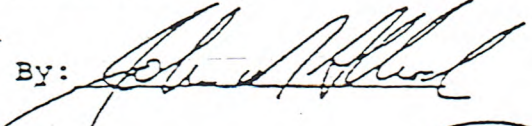
Dated: 13 April 1987

BY: 
CHURCH OF SCIENTOLOGY
CALIFORNIA


Dated: 12 April 1987

By: 
CHURCH OF SPIRITUAL
TECHNOLOGY

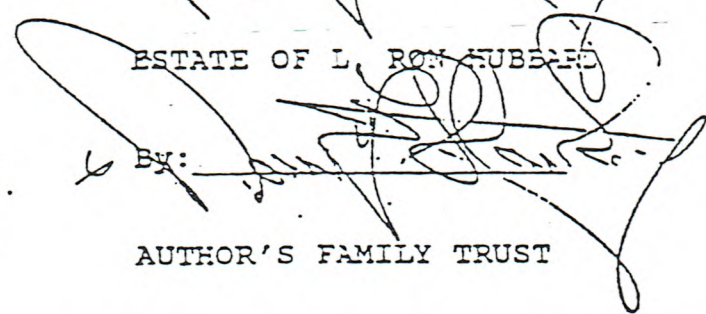
Dated: 13 April 1987

By: 
AUTHOR SERVICES INC

Dated: 13 April 1987

BY: 
ESTATE OF L. RON HUBBARD

Dated: 13 April 1987

BY: 
AUTHOR'S FAMILY TRUST

BY: 